

## Message Text

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LIMDIS

E.O. 11652: GDS

TAGS: PINS EAIR EAID PFOR ET US UK

SUBJECT: ETHIOPIAN AIRLINES, THE DIRG AND TWA

SUMMARY. DIRG HAS VETOED EAL MANAGEMENT DECISION HIRE UK PERSONNEL ON SECURITY GROUNDS GIVEN CURRENT STATE OF HMG-EPMG RELATIONS. ACTION IS FIRST DIRECT POLITICAL INTERVENTION IN OPERATION OF EAL. ULTIMATE IMPLICATION OF SUCH INTERVENTION IS VIEWED AS LIKELY EROSION OF MANAGEMENT AUTHORITY NEEDED TO PRESERVE DISCIPLINE AND SAFETY OF EAL OPERATIONS. PROBABILITY OF FURTHER INSTANCES OF THIS TYPE BELIEVED HIGH IN ETHIOPIAN SOCIALIST ENVIRONMENT. ACCORDINGLY, TWA EXPECTED TO DECIDE TO PHASE OUT GRACEFULLY ITS CONNECTION WITH EAL PROBABLY THIS YEAR. END SUMMARY.

1. SOURCE OF FOLLOWING IS FAVORABLY KNOWN TO MISSION. HE IS SENIOR AMERICAN ADVISOR TO EAL GENERAL MANAGER AND MUST BE STRICTLY PROTECTED.

2. SOURCE CALLED ON POL COUNSELOR AT OWN INITIATIVE MARCH 13 TO CONVEY FOLLOWING:

A) AT END CALENDAR '74 AND IN LIGHT POLITICAL TRENDS IN ETHIOPIA, RETIREMENT TWO SENIOR US CAPTAINS, AND GROWING EMPHASIS ON "WET LEASES" IN IRAN AND SAUDI ARABIA, ETHIOPIAN AIRLINES (EAL) BOARD WAS ASKED TO APPROVE HIRING OF NINE

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EXPATRIATE CAPTAINS AND EIGHT EXPATRIATE FIRST OFFICERS.

RATIONALE BASICALLY ECONOMIC, VIZ., TO RELIEVE PRESSURE ON MANAGEMENT PEOPLE TO FLY; RESTORE NORMAL TRAINING CYCLE; REDUCE EXCESS FLYING TIME BY AIR CREWS AND NARROW GAP BETWEEN PISTON AND JET PERSONNEL. BOARD APPROVED. EAL THEN REQUISITIONED AS CONSERVATIVE FIRST TRANCHE SIX CAPTAINS AND FOUR FIRST OFFICERS IN EUROPE - - ALL UK NATIONALS. THEY ARRIVED IN ADDIS LATE FEBRUARY FOR FINAL PROCESSING AND, WITH ONE EXCEPTION, WERE FOUND QUALIFIED AND EXPERIENCED FOR BOEING JETS. THEY WERE SIGNED TO TWO-YEAR CONTRACTS AND IT AGREED THEY WOULD BE DOMICILED IN LONDON.

B) AS NEW RECRUITS WAITING IN ADDIS HOTEL TO DEPART FOR EUROPE TO UNDERGO SIMULATOR TRAINING IN ETHIOPIAN FLYING CONDITIONS, SMALL GROUP OF EAL PILOTS, INCLUDING ONE RECENTLY TERMINATED FOR CAUSE, DECIDED PROTEST BOARD'S DECISION ON GROUNDS EXPATS NOT NEEDED AND THEIR INTRODUCTION WOULD SLOW DOWN PROMOTION QUALIFIED ETHIOPIAN PERSONNEL. THEY WROTE LETTER TO DIRG, WHICH APPOINTED TWO OF ITS MEMBERS TO INVESTIGATE ISSUE. DIRG INVESTIGATION PROCEEDED AND ISSUE OF VALIDITY GROUNDS FOR THIS DECISION AND ITS ACCEPTANCE BY BOARD CAREFULLY GONE OVER WITH ALL CONCERNED. ON MARCH 8, EAL GENERAL MANAGER (ETHIOPIAN) COL. SAMRAT, NOTIFIED BY DIRG MEMBER, CAPT. ENDALE (PRESUMABLY ENDALE TESSEMMA, ORDNANCE OFFICER HEAD-QUARTERS GROUND FORCES, AN AMHARA) TO ARRANGE AN EXTRA-ORDINARY MEETING OF THE BOARD. THIS DULY CONVENED UNDER CHAIRMANSHIP ACTING MINTELECOMMUNICATIONS ABRAHAM, IN ABSENCE MINISTER IN YUGOSLAVIA AND ATO NEGASH, VICECHAIRMAN OF THE BOARD.

C) AT MEETING ABRAHAM ASKED THAT DECISION ON VALIDITY BOARD'S ACTION BE DEFERRED TWO MONTHS FOR FURTHER STUDY. EAL MANAGEMENT REITERATED THAT BOARD'S ACTION TAKEN ON SOUND ECONOMIC GROUNDS WHICH DULY CONSIDERED PRIOR APPROVAL AND IMPLEMENTATION OF DECISION. CAPT. ENDALE THEN SPOKE. HE SAID THAT DIRG RECOGNIZED THE ECONOMIC BASIS OF THE DECISION BUT THAT POLITICAL AND SECURITY CONSIDERATIONS WOULD ALSO HAVE TO BE INTRODUCED AND WEIGHED. THESE CALLED FOR PROMPT TERMINATION THESE PERSONNEL. PMAC, ENDALE SAID, WAS CONCERNED ON SECURITY GROUNDS WITH NATIONALITY OF EXPATS, SINCE EPMG CURRENTLY HAVING PROBLEMS WITH HMG, WHICH PERMITTING CROWN PRINCE TO FOSTER CREATION OF ETHIOPIAN GOVERNMENT-IN-EXILE IN UK. ASKED POINT-BLANK WHETHER PMAC WOULD APPROVE HIRING OF, FOR EXAMPLE, SWEDISH OR AMERICAN EXPATS VICE BRITS, CAPT. ENDALE ANSWERED CATEGORICALLY IN THE SECRET

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AFFIRMATIVE.

D) ON MARCH 9, COL. SAMRAT TOLD EAL STAFF OF DIRECTED DECISION THAT UK PILOTS BE TERMINATED (TERMINATION, ACCORDING SOURCE, INVOLVES TWO MONTHS' NOTICE FOR THESE MEN, AT COST OF ETH\$105,000 PLUS OVERTIME COSTS FOR THOSE WHO WILL FLY IN THEIR STEAD, ETC.) AND NOTED DECISION HAD BEEN CARRIED OUT. SAMRAT, AT ENDALE'S SUGGESTION, ALSO CONVOKED MEETING ATTENDED BY 250 EAL EMPLOYEES REPRESENTING CROSS-SECTION OF MANAGEMENT,

FLYING PERSONNEL, GROUND AND SALES FORCE, ETC., AT WHICH DIRG REPRESENTATIVE ENDALE LAID OUT PMAC'S VIEWS IN DETAIL, HIDING NOTHING. PRESENTATIONS FOLLOWED BY EXTENSIVE Q&A FROM EMPLOYEES, WHICH RANGED FAR BEYOND ITEM AT ISSUE INTO PHILOSOPHY OF ETHIOPIA TIKDEM, MEANING OF SOCIALIST MANAGEMENT PRACTICES FOR ETHIOPIAN COMPANIES, INCLUDING EAL, ETC. BY ALL ACCOUNTS, CAPT. ENDALE HANDLED HIMSELF SUPERBLY, SUPPORTING BOTH EMPLOYEES' ASPIRATIONS FOR GREATER PARTICIPATION IN EAL MANAGEMENT AND LATTER'S NEED MAINTAIN DECISION-MAKING AUTHORITY.

3. OUR SOURCE (AND, HE SAYS, EAL'S GENERAL MANAGER SAMRAT) HAS FOCUSED ON FOLLOWING ASPECTS OF THIS SEQUENCE OF EVENTS: A) MINORITY GROUP OF KEY EAL EMPLOYEES WENT OUT OF CHANNELS TO DIRG TO FOIL/REVERSE A DECISION TAKEN BY EAL'S BOARD AFTER MATURE CONSIDERATION AND DISCUSSION, SHORTCIRCUITING APPEALS PROCEDURE BUILT INTO COMPANY'S MODUS OPERANDI; B) NOTWITHSTANDING RISKS OF WHICH DIRG THOROUGHLY AWARE INTERVENING IN MANAGEMENT OF COMPLEX ENTITY SUCH AS EAL ON POLITICAL GROUNDS, LATTER DID JUST THAT; C) HOWEVER DESTRUCTIVE OF MANAGEMENT CONTROL AND COMPANY DISCIPLINE, DIRG'S INTERVENTION, TAKEN ON SOLID POLITICAL GROUNDS RELATED ITS PERCEPTION OF NATIONAL SECURITY/FOREIGN POLICY INTERESTS AND IS CONSONANT WITH GROWTH OF ETHIOPIAN SOCIALISM.

4. SOURCE'S CONCLUSION IS THAT ETHIOPIAN POLITICAL ENVIRONMENT LIKELY PROGRESSIVELY TO ERODE TIGHT MANAGEMENT CONTROL, WHICH TWA HAD FOSTERED IN EAL AND WHICH HAD PRESERVED COMPANY'S POTENTIAL UP TO THIS POINT. SOURCE DID NOT THINK THAT THIS "TREND" REVERSIBLE IN CURRENT ENVIRONMENT.

5. TWA'S MANAGEMENT CONTRACT WITH EAL COMES UP FOR RENEWAL ON APRIL 8 FOR A NEXT TRANCHE OF UP TO FIVE YEARS. SOURCE SAID THAT TWA HAD BEEN CONSIDERING FOR SOME TIME WHETHER TO RENEW  
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CONTRACT OR TO SEVER UMBILICAL CORD. COMMERCIAL ASPECT FOR TWA IS MINOR, AS ITS FEE ONLY APPROXIMATELY US\$200,000 PER ANNUM. MAJOR ASPECT OF TWA'S DECISION IS THAT OF PUBLIC POLICY, I.E., AMERICAN PRESENCE IN ETHIOPIA. IN SOURCE'S VIEW, CONTINUATION OF RELATIONSHIP BETWEEN THE TWO ENTITIES, ALL OTHER THINGS BEING EQUAL, WOULD HAVE BEEN DESIRABLE BUT NOT ESSENTIAL TO EAL FOR ANOTHER 5-10 YEARS. THERE NO QUESTION THAT EAL WANTS TWA TO STAY AND, INDEED, EAL CONTRACT PROPOSAL FOR NEXT TRANCHE ALREADY TABLED. ALTHOUGH DECISION ON TWA SIDE NOT RPT NOT YET MADE AND LIKELY WILL GO TO TILLINGHAST HIMSELF, SEQUENCE OF EVENTS ABOVE-DESCRIBED HAS LED SOURCE TO CONCLUSION THAT TREND IN ETHIOPIA SUCH HE SHOULD RECOMMEND CONTRACT BE RENEWED ONLY FOR PERIOD NECESSARY PERMIT TWA STAGE GRACEFUL AND WELL-ORDERED PHASE-DOWN OF ITS RELATIONSHIP. SOURCE LEFT STRONG IMPRESSION THAT THIS RECOMMENDATION LIKELY BE ACCEPTED BY TWA.

IF SO, CONNECTION BETWEEN THE TWO COMPANIES MAY CEASE BY THE  
END OF CALENDAR 1975.  
WYMAN

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